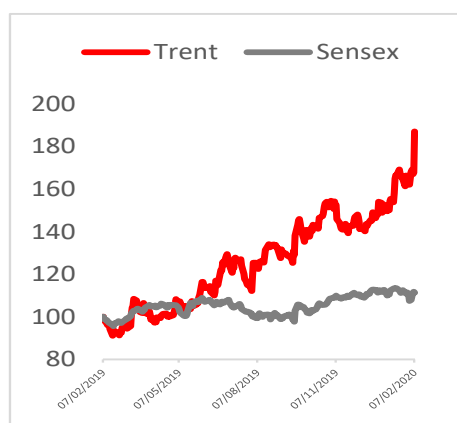



Result Update @ Dalal & Broacha
HOLD

Current Price	663
52 Week Range	320/678
Target Price	728
Upside	10%

Key Share Data

Market Cap (Rs.bn)	235.58
Market Cap (US\$ mn)	3308.7
No of o/s shares (mn)	355.48
Face Value	1
Monthly Avg. vol(BSEincreased byNSE) Nos	141.97
BSE Code	500251
NSE Code	TRENT
Bloomberg	TRENT IN

Price performance


% Shareholding	Dec-19	Sept-19
Promoters	37.01	37.01
Public	62.99	62.99
Others	0.00	0.00
Total	100.0	100.0

Consolidated Financials (Rs Mns)

Year	Net Sales	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY18	21,574.6	19.0%	2,011.8	9.3%	870.3	48%	2.6	252.8	5.5	7.8
FY19	26,302.4	21.9%	2,277.2	8.7%	948.5	9%	2.9	231.9	5.8	8.6
FY20E	33,031.9	25.6%	2,813.4	8.5%	1,826.4	93%	5.1	128.8	6.7	6.8
FY21E	41,239.4	24.8%	4,212.7	10.2%	3,767.3	106%	10.6	62.5	12.3	10.4
FY22E	49,608.0	20.3%	5,692.4	11.5%	5,229.3	39%	14.7	45.0	14.9	12.8

Consolidated Financials (Rs Mns) (All no.s as per IND AS from FY20)

Trent Q3FY20 Standalone Results (Pre IND AS 116)
Results were better than expectations SSG maintained at 10%
Revenues increased by 32.5% YoY to Rs 8697mn. **SSS** growth in case of **Westside** stood at 10% for Q3FY20 and 12% 9MFY20.

As %to Revenues

Raw Materials cost stood at 49.4% as against 47% YoY.

Rent stood at 14.3% v/s 12.6% YoY (Pre Ind As) at Rs 1243mn v/s 825.45 mn

(As per our assumption Rent per-sqft on an average is at Rs 120 per sqft per month for (160 stores of Westside + 2 stores of Utsa + 67 Zudio stores)

Other Expenses stood at 14.7% v/s 19.4% YoY.

In Q3FY20 Employee cost rose by 23% YoY to Rs 804.8mn.

EBIDTA Margins stood at 12.4% v/s 11.1% YoY. EBIDTA increased by 48.5% YoY to Rs 1078.4mn (**as per our calculations**)

Depreciation (pre IND-AS and as per our assumption) increased by 55% YoY to Rs 179.12mn

Interest cost (pre IND-AS and as per our assumption) increased by 182% YoY to Rs 248.23mn

Q3FY20 PBT before other Income stood at Rs 651mn up by 24.7% YoY

Other Income increased by 306% YoY to Rs 382.4mn (**there is some element of IND-AS 116 in these numbers which would be clarified in Annual report FY20**)

PBT (post other Income) increased by 67.7% YoY to Rs 1033.4mn (**this is also mentioned in press release**)

Tax Rate stood at 37.6% v/s 34.7% YoY. Tax rate is high on account of deferred tax adjustments post adoption of the new tax regime. FY21 onwards will have a tax rate of 25.2%

Adjusted PAT increased by 60.1% YoY to Rs 644.8mn

Reported numbers POST IND AS 116 were are as follows:
Revenue up by 32.5% YoY to Rs 8697mn

EBIDTA rose by 139% YoY to Rs 1735mn. EBIDTA margins stood at 20% v/s 11.1% YoY.

PBT rose by 53.5% to Rs 946.03mn

PAT increased by 38.4% YoY to Rs 557.42mn



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Analyst/Associate: Kunal Bhatia/ Suraj Nandu

Result Update @ Dalal & Broacha

Key Takeaways from Management post Q3FY20

Stores YTD Westside 163 / Zudio 68 (FY19 was 150 Westside and 56 Zudio)

Full year target is to open 90 stores between the 2 formats

Zudio SSS remains healthy on a low base (only 7 stores considered under SSS growth as on date)

Demand for apparels: remains robust, markets is rewarding quality with value.

Un-Organized players which are primarily cash driven are better off compared to players who sell on credit.

Outlook: Trent has been able to maintain a strong double digit SSG trajectory on a reasonably high base. Looking at the numbers we are confident that the company can grow at a CAGR of 20%+ for the next couple of years. This coupled with effective management justifies a premium valuation to the stock. Any turnaround in Star-bazaar JV can further re-rate the stock.

Valuation: On consolidated basis the stock trades at 62.5x FY21e EPS of Rs 10.6 and 45x FY22e EPS of Rs 14.7. On EV/EBIDTA basis it is trading at 56x FY21 and 41x FY22.

We value Trent on **SOTP basis**, assigning 50x PE multiple to Standalone FY22 **earning**, 1x Sales to StarBazaar, and 30x P/E multiple to Zara FY22 earnings.

We revise our rating from HOLD to Accumulate with a target price of Rs 728 i.e. an upside of 10%.



Result Update @ Dalal & Broacha

TRENT Q3FY20 STANDALONE RESULT UPDATE

Standalone Particulars (Rs Mns)						
Particulars	Q3FY19	(POST IND AS 116) Q3FY20	Growth	9MFY19	9MFY20 POST IND AS 116	Growth
Net Sales	6564.74	8697.00	32%	18630.02	24548.94	32%
Other Operating Income	0.00	0.00		0.00	0.00	
TOTAL Operating income	6564.74	8697.00	32%	18630.02	24548.94	32%
Raw Material Consumed				0.00	0.00	
Stock Adjustment	-733.21	-18.09	-98%	-895.79	-314.52	-65%
Purchase of Finished Goods	3816.39	4311.67	13%	9704.60	12482.12	29%
Total Raw Material Cost	3083.2	4293.6	39%	8808.82	12167.60	38%
Employee Expenses	654.51	804.83	23%	1849.28	2372.91	28%
Rent and Other Operating Lease	825.45	586.05	-29%	2338.12	1635.20	-30%
Other Expenses	1275.62	1277.15	0%	3606.16	3670.66	2%
O. Exps not attributable to current qtr		0.0		0.00	-57.60	
TOTAL EXPENDITURE	5838.8	6961.6	19%	16602.37	19788.77	19%
EBITDA	726.0	1735.4	139%	2027.65	4760.17	135%
Depreciation	115.73	579.01	400%	329.24	1699.71	416%
Interest	88.04	592.74	573%	264.88	1788.19	575%
PBT before Other Income	522.20	563.63	8%	1433.54	1272.27	-11%
Other Income	94.19	382.40	306%	274.83	1174.00	327%
PBT Before Exceptional Items	616.40	946.03	53%	1708.37	2446.26	43%
Exceptional Items				0.00	0.00	
Share of Profit or loss in associates / JV as per equity Method				0.00	0.00	
Reported PBT	616.4	946.0	53%	1708.37	2388.66	40%
Ind-AS 116 impact	0.0	87.4		0.00	210.00	
PBT (comparable and Ex-IND-As116)	616.4	1033.4	68%	1708.37	2598.67	52%
Tax	213.60	388.60	82%	592.90	868.96	47%
Tax Rate	34.7%	41.1%		0.35	0.36	5%
Extra Ordinary Net of Tax				0.00	0.00	
Reported Profit After Tax	402.80	557.42	38%	1115.47	1519.70	36%
Adjusted Profit After Extra-ordinary item and Excl Inc from Discontinued Operations	402.8	557.4	38%	1115.47	1577.30	41%
Equity	332.32	355.47		332.32	355.47	7%
Face Value	1.00	1.00		1.00	1.00	
EPS (Unit Curr.) (on adjusted PAT)	1.21	1.57		3.36	4.44	32%
Reported EPS	1.2	1.6				
OPM	11.1%	20.0%		11%	19%	
NPM	6%	6%		6%	6%	
% to Operating Income						
Total Raw Material Cost	47.0%	49.4%		47%	50%	
Employee Expenses	10.0%	9.3%		10%	10%	
Rent and Other Op Lease	12.6%	6.7%		13%	7%	
Other Expenses	19.4%	14.7%		19%	15%	
TOTAL EXPENDITURE	88.9%	80.0%		89%	81%	



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Valuation Methodolgy:-

Trent SOTP Method					
Segment	Particulars	FY22	Metric	Multiple(X)	Per Share Contribution
Weside	PAT Standalone (Rs Mns)	4377	P/E	50	218847
Star Bazaar 50% JV	Sales (Rs Mns)	9228	P/Sales	1	9228
Zara Trents Share 49%	PAT (Rs Mns)	788	P/E	30	23646
Less: Debt (Rs Mns)					2947
Add: Cash + Invest (Rs Mns) less Inv in Subs					9973
Total Value in Mns					258747
NO. of Shares (In Mns)					355
Value Per Share Rs					728
CMP					662
Upside					10%



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